

What is a Bond?



When importing merchandise into the United States, rules and regulations of U.S. Customs and Border Protection must be followed. The rules are designed to protect the revenue of the United States and to guarantee compliance with all laws. The U.S. government stipulates that all importers must provide security to ensure this process. The security may be in the form of:

- U.S. Money
- U.S. Bonds (except savings bonds)
- U.S. Certificates
- Treasury Notes
- Treasury Bills

Since most importers cannot afford to tie up their cash waiting for Customs to liquidate their entries, they prefer to post a surety bond. This allows them to pay a nominal premium and retain their liquidity.

Customs bonds contain 12 Activity Codes representing different activities a principal may need bonded. The required Activity Code depends not only on the particular activity the principal engages in, but also on the merchandise involved. The most common bond is Activity Code 1 – Import. Following are the activities covered by an Activity 1 bond:

- To pay duties, taxes and charges
- To make or complete entry
- To produce documents and evidence
- To redeliver merchandise
- To rectify any non-compliance with provisions of admission
- To allow for examination of merchandise
- To reimburse and exonerate the United States
- To comply with Customs regulations on duty-free entries and withdrawals
- To comply with Customs regulations applicable to Customs security areas at airports

There are two types of Activity Code 1 Bonds:



Single Transaction Bond - This bond can be used for one specific transaction in one particular port. The bond amount is determined by the value of the goods plus the duty owed unless merchandise is subject to governmental agencies (and then bond amounts usually three times the value). This bond type can only secure the Importer Security Filing (ISF) if filed as a unified filing and an importer must also purchase a separate ISF bond when required.



Continuous Bond - In many situations, this bond is more advantageous for an importer. This bond covers all entries nationwide for one year and self-renews until terminated. The bond amount is determined by taking 10% of estimated annual duties and is subject to a minimum of US \$50,000. These bonds automatically cover the ISF.

We can provide Customs bonds to help meet your needs. We also have the expertise relative to classification, entry filing and understanding the nuances of local Customs offices.

In today's age of informed compliance and reasonable care, it is essential for importers to take a "hands-on" approach to the import process. Make sure your Customs broker reviews your nationwide entry activity with you on a regular basis and provides summary information as needed. Sample information we can provide includes:

- Entry activity by port and entry type
- Timely liquidations by importer number
- Increased duty reports by port or suffixed subsidiary
- Open TIB entries with tentative close dates

